

REPORT OF MEETING

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LEGISLATION COMMITTEE

CO-OPERATIVE FEDERATION OF VICTORIA LTD.

held at 225 Swanston Street, Melbourne on Monday, 5th March 1984, commencing 1 p.m.

PRESENT:

Mr. M. Rundle
Mr. B. H. Macintosh
Mr. E. J. Long
Mr. W. W. Rawlinson Executive Officer

BUSINESS:

To consider resolution of the Board of Directors requiring recommendations for policy development on:

Current Co-operative Share Values and asset backing

Relationships of new and old members and their equity
in General Reserves of Co-operatives

Relationship of Principle of Equality when offset
against Principle of fair Equity in
assets in old established Co-operatives
affected by effects of inflation.

DISCUSSION:

The Committee considered

- (1) the principle of Co-operative capital being service capital rather than investment capital and the merits of capital gain for supplier members;
- (2) the major effect of inflation on assets in the life of current generation members compared with the less significant effect during previous generations of members;
- (3) the effect of increasing distributable members equity on 'dry' shareholder members;
- (4) the unfair advantage provided to incoming shareholder members obtaining cheap entitlement to assets in whose creation they have had no risk;

- (5) present legislation which precludes members obtaining their share of the indivisible Reserves and Assets until the Co-operative is wound up;
- (6) increasing vulnerability to take-over resulting from undervalued assets;
- (7) questioned the need for continuance of a co-operative if members are 'bribed' to dispose of their shares;
- (8) recognised the need for better member relations programmes in Co-operatives.

The Committee considered ongoing funding needs of Co-operatives would be better met by revolving type debenture loan funds adequately serviced which would correspond to current financial conditions. This would be by cash input by members or by distribution of bonus debentures from surplus. Bonus shares issued from surplus would have the effect of increasing members' equity in the business related to increasing value of assets. Repayment of such bonus shares, as with other type shares, would be by authority of the Board subject to financial constraints of the Co-operative business.

The non-inclusion of Section 41 of the 1958 Act from the 1981 Act precludes a Co-operative from holding up to 5% of its own shares.

CONCLUSION:

The Committee considered the issue is one affecting basic Principles of Co-operation and requests more time from the Board for preparation of recommendations in order to obtain opinions and experiences from

The Co-operative Federations of New South Wales and W. Australia
The International Co-operative Alliance
The International Centre of Research and Information on Public
and Co-operative Economy

Subject to any change of policy recommendations these enquiries might promote, the Committee agreed the present policy advised to the Victorian Government, of providing some form of distributable capital gain for Co-operative members from revaluation of assets, should stand.